American Assets Trust, Inc. Reports First Quarter 2019 Financial Results

Net income available to common stockholders of $11.1 million for the first quarter, or $0.24 per diluted share
Funds From Operations per diluted share increased 10% year-over-year for the first quarter
Leased approximately 48,000 comparable retail square feet at an average straight-line basis and cash-basis contractual rent increase of 15% and 6%, respectively, for the first quarter
Leased approximately 38,000 comparable office square feet at an average straight-line basis and cash-basis contractual rent increase of 15% and 4%, respectively, for the first quarter

SAN DIEGO, California - 4/30/2019 - American Assets Trust, Inc. (NYSE: AAT) (the "company") today reported financial results for its first quarter ended March 31, 2019.

First Quarter Highlights

- **Net income available to common stockholders of $11.1 million for the first quarter, or $0.24 per diluted share**
- **Funds From Operations increased 10% year-over-year to $0.56 per diluted share for the first quarter**
- **Same-store cash NOI increased 1% year-over-year for the first quarter**
- **Leased approximately 38,000 comparable office square feet at an average straight-line basis and cash-basis contractual rent increase of 15% and 4%, respectively, for the first quarter**
- **Leased approximately 48,000 comparable retail square feet at an average straight-line basis and cash-basis contractual rent increase of 15% and 6%, respectively, for the first quarter**
- **Credit agreement amended to extend maturity date and decrease credit spreads on $100 million term loan, effective January 9, 2019**
- **Recognized approximately $4.5 million of lease termination fees in January 2019 in connection with the termination of ground lease for, and ground lessee's surrender of, the former Sears building at Carmel Mountain Plaza in San Diego; and subsequently leased entirety of such building (approximately 108,000 square feet) to a national home decor retailer.**

Financial Results

Net income attributable to common stockholders was $11.1 million, or $0.24 per basic and diluted share for the first quarter of 2019 compared to net loss of $(0.5) million, or $(0.01) per basic and diluted share for the first quarter of 2018. The year-over-year increase is primarily due to an increase in lease termination fees at Carmel Mountain Plaza attributed to the termination of our former ground lease and a decrease in depreciation expense at Waikele Center attributed to the redevelopment of the Kmart space.

During the first quarter of 2019, the company generated funds from operations ("FFO") for common stockholders of $35.7 million, or $0.56 per diluted share, compared to $32.5 million, or $0.51 per diluted share, for the first quarter of 2018.

FFO is a non-GAAP supplemental earnings measure which the company considers meaningful in measuring its operating performance. A reconciliation of FFO to net income is attached to this press release.

Leasing

The portfolio leased status as of the end of the indicated quarter was as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Total Portfolio			
Retail	97.1%	93.9%	96.6%
Office	92.3%	90.9%	94.6%
Multifamily	93.9%	93.6%	92.7%
Mixed-Use:			
Retail	98.2%	96.1%	96.9%
Hotel	91.8%	93.0%	94.3%
Same-Store Portfolio			
Retail (1)	96.7%	92.9%	97.8%
Office (2)	94.1%	93.0%	94.6%
Multifamily	93.9%	93.6%	92.7%

(1) Same-store retail leased percentages exclude Waikele Center, due to significant redevelopment activity.
(2) Same-store office leased percentages exclude Torrey Point, which was placed into operations and became available for occupancy in August 2018 and will therefore be included in same-store office leased percentages commencing in the fourth quarter of 2019.

During the first quarter of 2019, the company signed 29 leases for approximately 229,900 square feet of retail and office space, as well as 345 multifamily apartment leases. Renewals accounted for 92% of the comparable retail leases, 83% of the comparable office leases and 48% of the residential leases.

Retail and Office

On a comparable space basis (i.e. leases for which there was a former tenant) during the first quarter 2019 and trailing four quarters ended March 31, 2019, our retail and office leasing spreads are shown below:

		Number of Leases Signed	Comparable Leased Sq. Ft.	Average Cash Basis % Change Over Prior Rent	Average Cash Contractual Rent Per Sq. Ft.	Prior Average Cash Contractual Rent Per Sq. Ft.	Straight-Line Basis % Change Over Prior Rent
Retail	Q1 2019	13	48,000	5.7%	$49.14	$46.49	15.2%
	Last 4 Quarters	57	244,000	5.9%	$40.99	$38.70	13.5%
Office	Q1 2019	6	38,000	4.2%	$49.46	$47.48	14.6%
	Last 4 Quarters	41	544,000	44.8%	$67.56	$46.67	66.6%

Multifamily

The average monthly base rent per leased unit for same-store properties for the first quarter of 2019 was $2,057 compared to an average monthly base rent per leased unit of $1,988 for the first quarter of 2018, an increase of approximately 3%.

Same-Store Cash Net Operating Income

For the first quarter of 2019, same-store cash NOI increased 0.7%, compared to the first quarter of 2018. The same-store cash NOI by segment was as follows (in thousands):

	Three Months Ended (1) March 31, 2019	Three Months Ended (1) March 31, 2018	Change
Cash Basis:			
Retail	$ 14,795	$ 15,288	(3.2) %
Office	18,479	18,225	1.4
Multifamily	7,892	7,353	7.3
Mixed-Use	—	—	—
Same-store Cash NOI (2)	$ 41,166	$ 40,866	0.7 %

(1) Same-store portfolio excludes (i) Waikele Center due to significant redevelopment activity; (ii) Torrey Point, which was placed into operations and became available for occupancy in August 2018; (iii) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity; and (iv) land held for development.

(2) Excluding lease termination fees for the three months ended March 31, 2019, same-store cash NOI would be 1.4%.

Same-store cash NOI is a non-GAAP supplemental earnings measure which the company considers meaningful in measuring its operating performance. A reconciliation of same-store cash NOI to net income is attached to this press release.

Balance Sheet and Liquidity

At March 31, 2019, the company had gross real estate assets of $2.7 billion and liquidity of $316.5 million, comprised of cash and cash equivalents of $54.5 million and $262.0 million of availability on its line of credit.

For the quarter ended March 31, 2019, we issued 162,531 shares of common stock through our at-the-market equity program at a weighted average price per share of $45.53, resulting in net proceeds of $7.0 million. Additionally, we issued 519,382 shares of common stock through our at-the-market equity program that settled after March 31, 2019 at a weighted average price per share of $45.57, resulting in additional net proceeds of $23.4 million. We intend to use the proceeds primarily to fund development activities at Lloyd District Portfolio and Waikele Center.

Dividends

The company declared dividends on its shares of common stock of $0.28 per share for the first quarter of 2019. The dividends were paid on March 28, 2019.

In addition, the company has declared a dividend on its common stock of $0.28 per share for the second quarter of 2019. The dividend will be paid on June 27, 2019 to stockholders of record on June 13, 2019.

Guidance

The company affirms its guidance range for full year 2019 FFO per diluted share of $2.18 to $2.26 per share, a midpoint increase of 6% from 2018 FFO per diluted share of $2.09 per share. The company's guidance excludes any impact from future acquisitions, dispositions, equity issuances or repurchases, future debt financings or repayments.

The foregoing estimates are forward-looking and reflect management's view of current and future market conditions, including certain assumptions with respect to leasing activity, rental rates, occupancy levels, interest rates, credit spreads and the amount and timing of acquisition and development activities. The company's actual results may differ materially from these estimates.

Conference Call

The company will hold a conference call to discuss the results for the first quarter of 2019 on Wednesday, May 1, 2019 at 8:00 a.m. Pacific Time ("PT"). To participate in the event by telephone, please dial 1-877-868-5513 and use the pass code 8599255. A telephonic replay of the conference call will be available beginning at 2:00 p.m. PT on Wednesday, May 1, 2019 through Wednesday, May 8, 2019. To access the replay, dial 1-855-859-2056 and use the pass code 8599255. A live on-demand audio webcast of the conference call will be available on the company's website at www.americanassetstrust.com. A replay of the call will also be available on the company's website.

Supplemental Information

Supplemental financial information regarding the company's first quarter 2019 results may be found on the "Investors" page of the company's website at www.americanassetstrust.com. This supplemental information provides additional detail on items such as property occupancy, financial performance by property and debt maturity schedules.

Financial Information
American Assets Trust, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	March 31, 2019	December 31, 2018
Assets	(unaudited)	
Real estate, at cost		
Operating real estate	$ 2,569,407	$ 2,549,571
Construction in progress	77,094	71,228
Held for development	9,392	9,392
	2,655,893	2,630,191
Accumulated depreciation	(609,020)	(590,338)
Net real estate	2,046,873	2,039,853
Cash and cash equivalents	54,538	47,956
Restricted cash	9,777	9,316
Accounts receivable, net	9,137	9,289
Deferred rent receivables, net	40,554	39,815
Other assets, net	56,169	52,021
Total assets	$ 2,217,048	$ 2,198,250
Liabilities and equity		
Liabilities:		
Secured notes payable, net	$ 162,688	$ 182,572
Unsecured notes payable, net	1,045,709	1,045,863
Unsecured line of credit, net	86,438	62,337
Accounts payable and accrued expenses	53,683	46,616
Security deposits payable	7,579	8,844
Other liabilities and deferred credits, net	55,618	49,547
Total liabilities	1,411,715	1,395,779
Commitments and contingencies		
Equity:		
American Assets Trust, Inc. stockholders' equity		
Common stock, $0.01 par value, 490,000,000 shares authorized, 47,486,894 and 47,335,409 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	475	474
Additional paid-in capital	928,792	920,661
Accumulated dividends in excess of net income	(130,841)	(128,778)
Accumulated other comprehensive income	8,825	10,620
Total American Assets Trust, Inc. stockholders' equity	807,251	802,977
Noncontrolling interests	(1,918)	(506)
Total equity	805,333	802,471
Total liabilities and equity	$ 2,217,048	$ 2,198,250

American Assets Trust, Inc.
Unaudited Consolidated Statements of Operations
(In Thousands, Except Shares and Per Share Data)

	Three Months Ended March 31,	
	2019	**2018**
Revenue:		
Rental income	$ 76,831	$ 76,201
Other property income	8,488	4,531
Total revenue	85,319	80,732
Expenses:		
Rental expenses	20,796	20,420
Real estate taxes	9,046	8,546
General and administrative	6,073	5,567
Depreciation and amortization	20,583	33,279
Total operating expenses	56,498	67,812
Operating income	28,821	12,920
Interest expense	(13,349)	(13,820)
Other income (expense), net	(229)	209
Net income (loss)	15,243	(691)
Net (income) loss attributable to restricted shares	(93)	72
Net (income) loss attributable to unitholders in the Operating Partnership	(4,055)	166
Net income (loss) attributable to American Assets Trust, Inc. stockholders	$ 11,095	$ (453)
Net income (loss) per share		
Basic income (loss) attributable to common stockholders per share	$ 0.24	$ (0.01)
Weighted average shares of common stock outstanding - basic	47,004,465	46,935,820
Diluted income (loss) attributable to common stockholders per share	$ 0.24	$ (0.01)
Weighted average shares of common stock outstanding - diluted	64,182,073	46,935,820
Dividends declared per common share	$ 0.28	$ 0.27

Reconciliation of Net Income to Funds From Operations
The company's FFO attributable to common stockholders and operating partnership unitholders and reconciliation to net income is as follows (in thousands except shares and per share data, unaudited):

		Three Months Ended March 31, 2019
Funds From Operations (FFO)		
Net income	$	15,243
Depreciation and amortization of real estate assets		20,583
FFO, as defined by NAREIT	$	35,826
Less: Nonforfeitable dividends on restricted stock awards		(91)
FFO attributable to common stock and units	$	35,735
FFO per diluted share/unit	$	0.56
Weighted average number of common shares and units, diluted		64,185,323

Reconciliation of Same-Store Cash NOI to Net Income
The company's reconciliation of Same-Store Cash NOI to Net Income is as follows (in thousands, unaudited):

	Three Months Ended (1) March 31,			
	2019		2018	
Same-store cash NOI	$	41,166	$	40,866
Non-same-store cash NOI		7,871		9,770
Tenant improvement reimbursements (2)		991		868
Cash NOI	$	50,028	$	51,504
Non-cash revenue and other operating expenses (3)		5,449		262
General and administrative		(6,073)		(5,567)
Depreciation and amortization		(20,583)		(33,279)
Interest expense		(13,349)		(13,820)
Other income (expense), net		(229)		209
Net income (loss)	$	15,243	$	(691)
Number of properties included in same-store analysis		24		23

(1) Same-store portfolio excludes (i) Waikele Center, due to significant redevelopment activity; (ii) Torrey Point, which was placed into operations and became available for occupancy in August 2018; (iii) Waikiki Beach Walk - Embassy Suites™ and Waikiki Beach Walk - Retail, due to significant spalling repair activity and (iv) land held for development.

(2) Tenant improvement reimbursements are excluded from same-store cash NOI to provide a more accurate measure of operating performance.

(3) Represents adjustments related to the straight-line rent income recognized during the period offset by cash received during the period and the provision for bad debts recorded for deferred rent receivable balances; the amortization of above (below) market rents, the amortization of lease incentives paid to tenants, the amortization of other lease intangibles, lease termination fees at Carmel Mountain Plaza, and straight-line rent expense for our leases of the Annex at The Landmark at One Market.

Reported results are preliminary and not final until the filing of the company's Form 10-Q with the Securities and Exchange Commission and, therefore, remain subject to adjustment.

Use of Non-GAAP Information

Funds from Operations

The company calculates FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring the company's operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year-over-year, captures trends in occupancy rates, rental rates and operating costs. The company also believes that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare the company's operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the company's properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of the company's properties, all of which have real economic effects and could materially impact the company's results from operations, the utility of FFO as a measure of the company's performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as the company does, and, accordingly, the company's FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of the company's performance. FFO should not be used as a measure of the company's liquidity, nor is it indicative of funds available to fund the company's cash needs, including the company's ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

Cash Net Operating Income

The company uses cash net operating income ("NOI") internally to evaluate and compare the operating performance of the company's properties. The company believes cash NOI provides useful information to investors regarding the company's financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level, and when compared across periods, can be used to determine trends in earnings of the company's properties as this measure is not affected by (1) the non-cash revenue and expense recognition items, (2) the cost of funds of the property owner, (3) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP or (4) general and administrative expenses and other gains and losses that are specific to the property owner. The company believes the exclusion of these items from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the company's properties as well as trends in occupancy rates, rental rates and operating costs. Cash NOI is a measure of the operating performance of the company's properties but does not measure the company's performance as a whole. Cash NOI is therefore not a substitute for net income as computed in accordance with GAAP.

Cash NOI, is a non-GAAP financial measure of performance. The company defines cash NOI as operating revenues (rental income, tenant reimbursements, lease termination fees, ground lease rental income and other property income) less property and related expenses (property expenses, ground lease expense, property marketing costs, real estate taxes and insurance), adjusted for non-cash revenue and operating expense items such as straight-line rent, amortization of lease intangibles, amortization of lease incentives and other adjustments. Cash NOI also excludes general and administrative expenses, depreciation and amortization, interest expense, other nonproperty income and losses, acquisition-related expense, gains and losses from property dispositions, extraordinary items, tenant improvements, and leasing commissions. Other REITs may use different methodologies for calculating cash NOI, and accordingly, the company's cash NOI may not be comparable to the cash NOIs of other REITs.

About American Assets Trust, Inc.
American Assets Trust, Inc. (the "company") is a full service, vertically integrated and self-administered real estate investment trust, or REIT, headquartered in San Diego, California. The company has over 50 years of experience in acquiring, improving, developing and managing premier retail, office and residential properties throughout the United States in some of the nation's most dynamic, high-barrier-to-entry markets primarily in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. The company's retail portfolio comprises approximately 3.1 million rentable square feet, and its office portfolio comprises approximately 2.7 million square feet. In addition, the company owns one mixed-use property (including approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel) and 2,112 multifamily units. In 2011, the company was formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, has significant experience, long-standing relationships and extensive knowledge of its core markets, submarkets and asset classes. For additional information, please visit www.americanassetstrust.com.

Forward Looking Statements
This press release may contain forward-looking statements within the meaning of the federal securities laws, which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. While forward-looking statements reflect the company's good faith beliefs, assumptions and expectations, they are not guarantees of future performance. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, see the section entitled "Risk Factors" in the company's most recent annual report on Form 10-K, and other risks described in documents subsequently filed by the company from time to time with the Securities and Exchange Commission. The company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes.

Source: American Assets Trust, Inc.

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